

RD AN 4189 (4287-B)
May 23, 2006

SUBJECT: Business and Industry Guaranteed Loan Program
Liquidation of Guaranteed Loans/Sale of the Promissory Note Without
Recourse

TO: State Directors
Rural Development

ATTN: Business Program Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance to State Offices concerning the liquidation of defaulted guaranteed loans through the sale of the promissory note without recourse to third party private investors.

COMPARISON WITH PREVIOUS AN:

There has been no previous AN.

IMPLEMENTATION RESPONSIBILITIES:

The Agency has received written authorization from the United States Department of the Treasury (Treasury) to sell defaulted guaranteed loans in an arms-length transaction to third party investors, without recourse to the Government. This authorization from Treasury covers defaulted guaranteed loans which the Agency has repurchased from the secondary market. The approval from the Treasury Department does not allow for the sale of defaulted guaranteed loans on a recourse basis, loans being held by the secondary market holder, or defaulted loans that the lender holds.

EXPIRATION DATE:
May 31, 2007

FILING INSTRUCTIONS:
Preceding RD Instruction 4287-B

When considering the sale of the promissory note as a method of liquidation on a defaulted guaranteed loan, all provisions of RD Instruction 4287.157(d) must be complied with, including obtaining a current appraisal that reflects both current and liquidation values. The appraisals must be in accordance with RD Instruction 4279-B, section 4279.144.

The proposals must be reviewed and evaluated on a case-by-case basis. The case file must be documented that the proposal clearly represents the highest and best recovery.

All sales of defaulted loans must be submitted to the National Office for review and concurrence using the format set forth in RD Instruction 4287-B, Appendix A. The Purchase and Sales Agreement must be reviewed in advance by the Regional Attorney to ensure that the sale of the Promissory Note is on a non-recourse basis. When the sale is consummated, the lender will promptly remit to the Agency its pro-rata share and the lender will promptly file a final report of loss claim in accordance with regulations.

If we can be of further assistance, please contact David Lewis, Chief, Loan Servicing Branch, at (202) 690-0797.

(Signed by Jackie J. Gleason)

JACKIE J. GLEASON
Acting Administrator
Business and Cooperative Programs